

Report on the

# Franklin County Commission

Franklin County, Alabama

October 1, 2018 through September 30, 2019

Filed: January 21, 2022



## Department of Examiners of Public Accounts

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*Rachel Laurie Riddle, Chief Examiner*





Rachel Laurie Riddle  
*Chief Examiner*

**State of Alabama**  
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Honorable Rachel Laurie Riddle  
Chief Examiner of Public Accounts  
Montgomery, Alabama 36130

Dear Madam:

An audit was conducted on the Franklin County Commission, Franklin County, Alabama, for the period October 1, 2018 through September 30, 2019. Under the authority of the ***Code of Alabama 1975***, Section 41-5A-19, I hereby swear to and submit this report on the results of the audit.

Respectfully submitted,

Jacob Perdue  
Examiner of Public Accounts

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## Department of **Examiners of Public Accounts**

### **SUMMARY**

#### **Franklin County Commission October 1, 2018 through September 30, 2019**

The Franklin County Commission (the “Commission”) is governed by a five-member body elected by the citizens of Franklin County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 19. The Commission is the governmental agency that provides general administration, public safety, construction and maintenance of county roads and bridges, sanitation services, health and welfare services and educational services to the citizens of Franklin County.

This report presents the results of an audit the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Commission complied with applicable laws and regulations, including those applicable to its major federal financial assistance program. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States as well as the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5A-12.

An unmodified opinion was issued on the financial statements, which means that the Commission’s financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2019.

Tests performed during the audit did not disclose any significant instances of noncompliance with applicable state and local laws and regulations.

### **EXIT CONFERENCE**

Commission members and administrative personnel, as reflected on Exhibit 19, were invited to discuss the results of this report at an exit conference. Individuals in attendance were: Barry Moore, Chairman; and Leah Mansell, County Administrator. Also in attendance were representatives from the Department of Examiners of Public Accounts: Denise H. Olive, Audit Manager; and Jacob Perdue, Examiner. The results of the audit were discussed with Rayburn Massey, Commissioner, by telephone.

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# *Independent Auditor's Report*

## **Independent Auditor's Report**

Members of the Franklin County Commission and County Administrator  
Russellville, Alabama

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Franklin County Commission, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Franklin County Commission's basic financial statements as listed in the table of contents as Exhibits 1 through 11.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Franklin County Commission, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), Schedule of Changes in the Employer's Net Pension Liability, Schedule of the Employer's Contributions – Pension, and Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 12 through 17), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.


### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Franklin County Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 18), as required by Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)***, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with ***Government Auditing Standards***, we have also issued our report dated January 3, 2022, on our consideration of the Franklin County Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Franklin County Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the Franklin County Commission's internal control over financial reporting and compliance.



Rachel Laurie Riddle  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

January 3, 2022



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# *Basic Financial Statements*

***Statement of Net Position***  
***September 30, 2019***

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
<b><u>Current Assets</u></b>			
Cash and Cash Equivalents	\$ 3,688,616.01	\$ 285,205.55	\$ 3,973,821.56
Receivables (Note 4)	525,121.15	285,644.32	810,765.47
Ad Valorem Taxes Receivable	4,600,497.40		4,600,497.40
Inventories	163,548.36		163,548.36
Total Current Assets	8,977,782.92	570,849.87	9,548,632.79
<b><u>Noncurrent Assets</u></b>			
Restricted Cash	22,283.11		22,283.11
Capital Assets (Note 5):			
Nondepreciable	331,254.25	63,157.41	394,411.66
Depreciable, Net	15,233,523.08	800,133.67	16,033,656.75
Total Capital Assets, Net	15,564,777.33	863,291.08	16,428,068.41
Total Noncurrent Assets	15,587,060.44	863,291.08	16,450,351.52
Total Assets	24,564,843.36	1,434,140.95	25,998,984.31
<b><u>Deferred Outflows of Resources</u></b>			
Employer Pension Contributions	297,000.07	57,687.36	354,687.43
Deferred Outflows Related to Pension Plan	370,246.43	76,023.57	446,270.00
Total Deferred Outflows of Resources	667,246.50	133,710.93	800,957.43
<b><u>Liabilities</u></b>			
<b><u>Current Liabilities</u></b>			
Accounts Payable	631.58		631.58
Unearned Revenue	127,517.74	44,360.66	171,878.40
Accrued Wages Payable	129,771.52	23,279.61	153,051.13
Accrued Interest Payable	66,967.46		66,967.46
Long-Term Liabilities:			
Portion Due or Payable Within One Year:			
Notes Payable	595,711.67	132,041.76	727,753.43
Capital Lease Payable	210,000.00		210,000.00
Warrants Payable	387,215.50		387,215.50
Compensated Absences	59,735.44	13,619.40	73,354.84
Landfill Closure/Post Closure		1,700.00	1,700.00
Total Current Liabilities	\$ 1,577,550.91	\$ 215,001.43	\$ 1,792,552.34

The accompanying Notes to the Financial Statements are an integral part of this statement.

	Governmental Activities	Business-Type Activities	Total
<b><u>Noncurrent Liabilities</u></b>			
Portion Due or Payable After One Year:			
Notes Payable	\$ 272,580.59	\$ 518,576.99	\$ 791,157.58
Capital Leases Payable	2,645,000.00		2,645,000.00
Warrants Payable	6,013,510.38		6,013,510.38
Compensated Absences	537,618.96	122,574.64	660,193.60
Landfill Closure/Post Closure		30,603.21	30,603.21
Net Pension Liability	1,968,502.94	407,377.06	2,375,880.00
Total Noncurrent Liabilities	11,437,212.87	1,079,131.90	12,516,344.77
 Total Liabilities	 13,014,763.78	 1,294,133.33	 14,308,897.11
<b><u>Deferred Inflows of Resources</u></b>			
Unavailable Revenue - Property Taxes	4,342,533.89		4,342,533.89
Deferred Inflows Related to Pension Plan	382,837.81	73,935.19	456,773.00
Revenue Received in Advance -			
Motor Vehicle Taxes	274,795.60		274,795.60
Total Deferred Inflows of Resources	5,000,167.30	73,935.19	5,074,102.49
<b><u>Net Position</u></b>			
Net Investment in Capital Assets	5,440,759.19	212,672.33	5,653,431.52
Restricted for:			
Capital Projects	911,445.11		911,445.11
Debt Service	785,311.20		785,311.20
Scholarships	98,550.67		98,550.67
Economic Development	1,374.73		1,374.73
Local Officials	333,287.74		333,287.74
Road Projects	489,773.61		489,773.61
Other Purposes	194,033.40		194,033.40
Unrestricted	(1,037,376.87)	(12,888.97)	(1,050,265.84)
Total Net Position	\$ 7,217,158.78	\$ 199,783.36	\$ 7,416,942.14

**Statement of Activities**  
**For the Year Ended September 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
<b>Primary Government</b>							
<b>Governmental Activities</b>							
General Government	\$ 3,742,761.93	\$ 845,792.20	\$ 203,220.20	\$	(2,693,749.53)	\$	(2,693,749.53)
Public Safety	4,965,961.28	144,800.70	1,505,763.68		(3,315,396.90)		(3,315,396.90)
Highways and Roads	4,792,708.15	99,819.13	3,342,557.91	277,885.96	(1,072,445.15)		(1,072,445.15)
Health	151,251.86		94,013.60		(57,238.26)		(57,238.26)
Welfare	32,095.03		174.76		(31,920.27)		(31,920.27)
Culture and Recreation	8,402.27				(8,402.27)		(8,402.27)
Education	71,162.48		1,186.28		(69,976.20)		(69,976.20)
Interest and Fiscal Charges	390,877.32				(390,877.32)		(390,877.32)
Intergovernmental	157,501.99		2,764.94		(154,737.05)		(154,737.05)
Total Governmental Activities	14,312,722.31	1,090,412.03	5,149,681.37	277,885.96	(7,794,742.95)		(7,794,742.95)
<b>Business-Type Activities</b>							
Solid Waste	2,961,304.66	2,538,476.63	4,254.00			(418,574.03)	(418,574.03)
Total Business-Type Activities	2,961,304.66	2,538,476.63	4,254.00			(418,574.03)	(418,574.03)
Total Primary Government	\$ 17,274,026.97	\$ 3,628,888.66	\$ 5,153,935.37	\$ 277,885.96	(7,794,742.95)	(418,574.03)	(8,213,316.98)
<b>General Revenues:</b>							
Taxes:							
Property Taxes for General Purposes					5,100,887.39		5,100,887.39
Property Taxes for Specific Purposes					531,448.55		531,448.55
County Gasoline Sales Tax					508,154.95		508,154.95
Miscellaneous Taxes					169,668.76		169,668.76
Grants and Contributions Not Restricted					1,154,904.69		1,154,904.69
TVA in Lieu of Taxes					490,323.53		490,323.53
Investment Revenue					25,746.98	823.97	26,570.95
Gain on Disposition of Capital Assets					90,908.87		90,908.87
Miscellaneous Revenue					140,236.16	153,591.67	293,827.83
Total General Revenues					8,212,279.88	154,415.64	8,366,695.52
Changes in Net Position					417,536.93	(264,158.39)	153,378.54
Net Position - Beginning of Year					6,799,621.85	463,941.75	7,263,563.60
Net Position - End of Year					\$ 7,217,158.78	\$ 199,783.36	\$ 7,416,942.14

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Balance Sheet**  
**Governmental Funds**  
**September 30, 2019**

	General Fund	Gasoline Tax Fund	RRR Gasoline Tax Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
<b><u>Assets</u></b>						
Cash and Cash Equivalents	\$ 1,704,027.49	\$ 9,495.79	\$ 82,869.14	\$ 138,139.81	\$ 1,754,083.78	\$ 3,688,616.01
Cash with Fiscal Agent					22,283.11	22,283.11
Ad Valorem Taxes Receivable	4,017,939.72			582,557.68		4,600,497.40
Due from Other Funds	17,080.59		87,439.76		50,000.00	154,520.35
Receivables (Note 4)	205,767.16	101,457.77	92,426.67		125,469.55	525,121.15
Inventories		163,548.36				163,548.36
Total Assets	5,944,814.96	274,501.92	262,735.57	720,697.49	1,951,836.44	9,154,586.38
<b><u>Liabilities, Deferred Inflows of Resources and Fund Balances</u></b>						
<b><u>Liabilities</u></b>						
Accounts Payable	631.58					631.58
Due to Other Funds	50,000.00				104,520.35	154,520.35
Unearned Revenue				127,517.74		127,517.74
Accrued Wages Payable	92,261.52	26,887.93		10,622.07		129,771.52
Total Liabilities	142,893.10	26,887.93		138,139.81	104,520.35	412,441.19
<b><u>Deferred Inflows of Resources</u></b>						
Unavailable Revenue - Property Taxes	3,759,976.21			582,557.68		4,342,533.89
Revenue Received in Advance - Motor Vehicle Taxes	274,795.60					274,795.60
Total Deferred Inflows of Resources	4,034,771.81			582,557.68		4,617,329.49
<b><u>Fund Balances</u></b>						
Nonspendable:						
Inventories		163,548.36				163,548.36
Restricted for:						
Debt Service	756,888.09				95,390.57	852,278.66
Capital Projects					911,445.11	911,445.11
Scholarships					98,550.67	98,550.67
Economic Development					1,374.73	1,374.73
Local Officials					333,287.74	333,287.74
Road Projects		13,804.17	262,735.57		213,233.87	489,773.61
Other Purposes					194,033.40	194,033.40
Assigned to:						
Roads		70,261.46				70,261.46
Unassigned	1,010,261.96					1,010,261.96
Total Fund Balances	1,767,150.05	247,613.99	262,735.57		1,847,316.09	4,124,815.70
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 5,944,814.96	\$ 274,501.92	\$ 262,735.57	\$ 720,697.49	\$ 1,951,836.44	\$ 9,154,586.38

The accompanying Notes to the Financial Statements are an integral part of this statement.

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***Reconciliation of the Balance Sheet of Governmental Funds to the  
Statement of Net Position  
September 30, 2019***

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Total Fund Balances - Governmental Funds (Exhibit 3) \$ 4,124,815.70

Amounts reported for governmental activities in the Statement of Net Position  
(Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and, therefore,  
are not reported as assets in governmental funds. These assets consist of:

Capital Assets - Nondepreciable	\$	331,254.25	
Capital Assets - Depreciable (Net)		15,233,523.08	
Total Capital Assets (Net)			15,564,777.33

Certain liabilities are not due and payable in the current period and, therefore, are not  
reported as liabilities in the governmental funds. These liabilities at year-end consist of:

	Current Liabilities	Noncurrent Liabilities	
Warrants Payable	\$ 387,215.50	\$ 6,013,510.38	
Capital Lease Payable	210,000.00	2,645,000.00	
Notes Payable	595,711.67	272,580.59	
Net Pension Liability		1,968,502.94	
Accrued Interest Payable	66,967.46		
Compensated Absences	59,735.44	537,618.96	
Total Long-Term Liabilities	\$ 1,319,630.07	\$ 11,437,212.87	(12,756,842.94)

Deferred outflows and inflows of resources related to pensions are applicable to future  
periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Employer Pension Contributions	\$	297,000.07	
Deferred Outflows Related to Net Pension Liability		370,246.43	
Deferred Inflows Related to Net Pension Liability		(382,837.81)	
Net Difference			284,408.69

Total Net Position - Governmental Activities (Exhibit 1) \$ 7,217,158.78

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2019**

	General Fund	Gasoline Tax Fund	RRR Gasoline Tax Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$ 4,832,694.34	\$	\$	\$ 741,679.98	\$ 735,785.33	\$ 6,310,159.65
Licenses and Permits	48,406.54				108,804.70	157,211.24
Intergovernmental	2,038,223.03	1,338,391.15	1,583,126.82		1,622,731.02	6,582,472.02
Charges for Services	780,841.56				52,120.99	832,962.55
Miscellaneous	215,339.72	531,633.53	1,038.27	2,263.66	6,269.73	756,544.91
Total Revenues	7,915,505.19	1,870,024.68	1,584,165.09	743,943.64	2,525,711.77	14,639,350.37
<b>Expenditures</b>						
Current:						
General Government	2,836,244.78			743,943.64	127,005.28	3,707,193.70
Public Safety	3,694,169.59				903,818.29	4,597,987.88
Highways and Roads		2,264,223.19	1,549,999.51		608,401.91	4,422,624.61
Health	121,431.65					121,431.65
Welfare	9,164.83					9,164.83
Culture and Recreation	8,402.27					8,402.27
Education	62,212.48				8,950.00	71,162.48
Intergovernmental	145,001.99				12,500.00	157,501.99
Capital Outlay	123,339.00	876,908.00			15,557.35	1,015,804.35
Debt Service:						
Principal Retirement	304,403.74	4,210.82			280,000.00	588,614.56
Interest and Fiscal Charges	272,742.38	15,302.80			99,931.17	387,976.35
Total Expenditures	7,577,112.71	3,160,644.81	1,549,999.51	743,943.64	2,056,164.00	15,087,864.67
Excess (Deficiency) of Revenues Over Expenditures	338,392.48	(1,290,620.13)	34,165.58		469,547.77	(448,514.30)
<b>Other Financing Sources (Uses)</b>						
Transfers In	342,001.14	200,000.00			316,164.06	858,165.20
Proceeds from Sale of Capital Assets	24,240.00	572,360.00				596,600.00
Long-Term Debt Issued		302,563.08				302,563.08
Transfers Out	(391,916.27)	(40,000.00)			(426,248.93)	(858,165.20)
Total Other Financing Sources (Uses)	(25,675.13)	1,034,923.08			(110,084.87)	899,163.08
Net Change in Fund Balances	312,717.35	(255,697.05)	34,165.58		359,462.90	450,648.78
Fund Balances - Beginning of Year	1,454,432.70	503,311.04	228,569.99		1,487,853.19	3,674,166.92
Fund Balances - End of Year	\$ 1,767,150.05	\$ 247,613.99	\$ 262,735.57	\$	\$ 1,847,316.09	\$ 4,124,815.70

The accompanying Notes to the Financial Statements are an integral part of this statement.

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***Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2019***

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Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 450,648.78

Amounts reported for governmental activities in the Statement of Activities  
(Exhibit 2) are different because:

Governmental funds report capital outlay as an expenditure. However, in the  
Statement of Activities, the cost of these assets is allocated over their estimated  
useful lives as depreciation expense. This is the amount by which capital outlay  
(\$1,015,804.35) differs from depreciation (\$850,750.82) in the current period. 165,053.53

In the Statement of Activities, only the gain on the sale of capital assets is reported,  
whereas in the governmental funds, the proceeds from the sale increase financial  
resources. Thus the changes in net position differs from the change in fund balance  
by the cost of the capital assets sold.

Proceeds from the Sale of Capital Assets	\$	(596,600.00)	
Gain on Sale of Capital Assets		90,899.56	
Net Difference			(505,700.44)

Repayment of debt principal is an expenditure in the governmental funds, but the  
repayment reduces long-term liabilities in the Statement of Net Position and does  
not affect the Statement of Activities. 588,614.56

Issuance of long-term debt provides current financial resources to governmental  
funds, but issuing debt increases long-term liabilities in the Statement of Net  
Position and does not affect the Statement of Activities.

Notes Payable (302,563.08)

Some items reported in the Statement of Activities do not require the use of current  
financial resources and, therefore, are not reported as expenditures in the  
governmental funds. These items consist of:

Net Increase in Compensated Absences	\$	(12,762.26)	
Net Decrease in Pension Expense		37,146.81	
Net Increase in Accrued Interest Payable		(2,900.97)	
Net Difference			21,483.58

Change in Net Position of Governmental Activities (Exhibit 2) \$ 417,536.93

The accompanying Notes to the Financial Statements are an integral part of this statement.

***Statement of Net Position***  
***Proprietary Fund***  
***September 30, 2019***

	<b><u>Enterprise Fund</u></b> <b><u>Solid Waste</u></b> <b><u>Fund</u></b>	<b><u>Total</u></b> <b><u>Enterprise</u></b> <b><u>Fund</u></b>
<b><u>Assets</u></b>		
<b><u>Current Assets</u></b>		
Cash and Cash Equivalents	\$ 285,205.55	\$ 285,205.55
Receivables (Note 4)	285,644.32	285,644.32
Total Current Assets	<u>570,849.87</u>	<u>570,849.87</u>
<b><u>Noncurrent Assets</u></b>		
Capital Assets (Note 5):		
Nondepreciable	63,157.41	63,157.41
Depreciable, Net	800,133.67	800,133.67
Total Noncurrent Assets	<u>863,291.08</u>	<u>863,291.08</u>
Total Assets	<u>1,434,140.95</u>	<u>1,434,140.95</u>
<b><u>Deferred Outflows of Resources</u></b>		
Employer Pension Contributions	57,687.36	57,687.36
Deferred Outflows Related to Pension Plan	76,023.57	76,023.57
Total Deferred Outflows of Resources	<u>133,710.93</u>	<u>133,710.93</u>
<b><u>Liabilities</u></b>		
<b><u>Current Liabilities</u></b>		
Unearned Revenue	44,360.66	44,360.66
Accrued Wages Payable	23,279.61	23,279.61
Notes Payable	132,041.76	132,041.76
Landfill/Post Closure Cost	1,700.00	1,700.00
Compensated Absences	13,619.40	13,619.40
Total Current Liabilities	<u>\$ 215,001.43</u>	<u>\$ 215,001.43</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

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	<u>Enterprise Fund</u> <u>Solid Waste</u> <u>Fund</u>	<u>Total</u> <u>Enterprise</u> <u>Fund</u>
<b><u>Noncurrent Liabilities</u></b>		
Notes Payable	\$ 518,576.99	\$ 518,576.99
Landfill/Post Closure Cost	30,603.21	30,603.21
Compensated Absences	122,574.64	122,574.64
Net Pension Liability	407,377.06	407,377.06
Total Noncurrent Liabilities	<u>1,079,131.90</u>	<u>1,079,131.90</u>
 Total Liabilities	 <u>1,294,133.33</u>	 <u>1,294,133.33</u>
<b><u>Deferred Inflows of Resources</u></b>		
Deferred Inflows Related to Pension Plan	<u>73,935.19</u>	<u>73,935.19</u>
Total Deferred Inflows of Resources	<u>73,935.19</u>	<u>73,935.19</u>
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	212,672.33	212,672.33
Unrestricted	<u>(12,888.97)</u>	<u>(12,888.97)</u>
Total Net Position	<u>\$ 199,783.36</u>	<u>\$ 199,783.36</u>

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***Statement of Revenues, Expenses and Changes in Fund Net Position***  
***Proprietary Fund***  
***For the Year Ended September 30, 2019***

	<b><u>Enterprise Fund</u></b> <b><u>Solid Waste</u></b> <b><u>Fund</u></b>	<b><u>Total</u></b> <b><u>Enterprise</u></b> <b><u>Fund</u></b>
<b><u>Operating Revenues</u></b>		
Charges for Services	\$ 2,538,476.63	\$ 2,538,476.63
Total Operating Revenues	<u>2,538,476.63</u>	<u>2,538,476.63</u>
<b><u>Operating Expenses</u></b>		
Salaries and Benefits	1,183,385.36	1,183,385.36
Contractual and Professional Services	73,873.94	73,873.94
Materials and Supplies	45,463.71	45,463.71
Fuels	115,294.84	115,294.84
Repairs and Maintenance	118,330.09	118,330.09
Utilities	14,593.66	14,593.66
Communications	6,996.32	6,996.32
Travel	6,245.11	6,245.11
Insurance	24,689.01	24,689.01
Depreciation	163,658.28	163,658.28
Miscellaneous	36,351.50	36,351.50
Landfill Expenses	569,823.38	569,823.38
Total Operating Expenses	<u>2,358,705.20</u>	<u>2,358,705.20</u>
Operating Income (Loss)	<u>179,771.43</u>	<u>179,771.43</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>		
Interest Revenue	823.97	823.97
State Grant	4,254.00	4,254.00
Miscellaneous Revenue	153,591.67	153,591.67
Loss on Disposal of Capital Assets	(210,467.00)	(210,467.00)
Bad Debt Expense	(378,353.93)	(378,353.93)
Interest Expense	(13,778.53)	(13,778.53)
Total Nonoperating Revenues (Expenses)	<u>(443,929.82)</u>	<u>(443,929.82)</u>
Changes in Net Position	(264,158.39)	(264,158.39)
Net Position - Beginning of Year	<u>463,941.75</u>	<u>463,941.75</u>
Net Position - End of Year	<u>\$ 199,783.36</u>	<u>\$ 199,783.36</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

***Statement of Cash Flows***  
***Proprietary Fund***  
***For the Year Ended September 30, 2019***

	<b>Enterprise Fund Solid Waste Fund</b>	<b>Total Enterprise Fund</b>
<b><u>Cash Flows from Operating Activities</u></b>		
Cash Received from Customers	\$ 2,294,721.64	\$ 2,294,721.64
Cash Payments to Employees	(1,174,788.44)	(1,174,788.44)
Cash Payments for Goods and Services	(1,013,361.56)	(1,013,361.56)
Net Cash Provided (Used) by Operating Activities	<u>106,571.64</u>	<u>106,571.64</u>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>		
Miscellaneous Revenue	153,591.67	153,591.67
State Grant	4,254.00	4,254.00
Net Cash Provided (Used) by Noncapital Financing Activities	<u>157,845.67</u>	<u>157,845.67</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>		
Acquisition of Capital Assets	(599,387.26)	(599,387.26)
Gain on Disposal of Capital Asset	528,107.27	528,107.27
Principal Paid on Capital Debt	(148,318.31)	(148,318.31)
Interest Paid on Capital Debt	(13,778.53)	(13,778.53)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(233,376.83)</u>	<u>(233,376.83)</u>
<b><u>Cash Flows from Investing Activities</u></b>		
Interest Earned	823.97	823.97
Net Cash Provided (Used) by Investing Activities	<u>823.97</u>	<u>823.97</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	31,864.45	31,864.45
Cash and Cash Equivalents - Beginning of Year	<u>253,341.10</u>	<u>253,341.10</u>
Cash and Cash Equivalents - End of Year	<u>\$ 285,205.55</u>	<u>\$ 285,205.55</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

	Enterprise Fund Solid Waste Fund	Total Enterprise Fund
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u></b>		
Operating Income (Loss)	\$ 179,771.43	\$ 179,771.43
<b><u>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities</u></b>		
Depreciation Expense	163,658.28	163,658.28
Change:		
Receivables, Net	(243,754.99)	(243,754.99)
Accrued Wages and Benefits Payable	5,378.35	5,378.35
Pension Liability	(7,590.68)	(7,590.68)
Estimated Liability for Compensated Balances	10,809.25	10,809.25
Estimated Liability for Postclosure Landfill Balances	(1,700.00)	(1,700.00)
Net Cash Provided (Used) by Operating Activities	<u>\$ 106,571.64</u>	<u>\$ 106,571.64</u>

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***Statement of Fiduciary Net Position***  
***September 30, 2019***

	Private-Purpose Trust Funds	Agency Funds
<b><u>Assets</u></b>		
<b><u>Current Assets</u></b>		
Cash and Cash Equivalents	\$ 567,426.02	\$ 482.91
Total Current Assets	<u>567,426.02</u>	<u>482.91</u>
<b><u>Noncurrent Assets</u></b>		
Capital Assets, Net (Note 5)	<u>10,287.57</u>	
Total Noncurrent Assets	<u>10,287.57</u>	
Total Assets	<u>577,713.59</u>	<u>482.91</u>
<b><u>Liabilities</u></b>		
Payables (Note 7)	159,270.33	
Due to Other Governments		482.91
Total Current Liabilities	<u>159,270.33</u>	<u>\$ 482.91</u>
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	10,287.57	
Held in Trust for Other Purposes	<u>408,155.69</u>	
Total Net Position	<u>\$ 418,443.26</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.



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***Statement of Changes in Fiduciary Net Position***  
***For the Year Ended September 30, 2019***

	<b>Private-Purpose Trust Funds</b>
<hr/>	
<b><u>Additions</u></b>	
Contributions from:	
Taxes	\$ 8,219.09
Intergovernmental	170,229.34
Court Fees	138,718.71
Miscellaneous	432,826.41
Interest	844.18
Total Additions	<u>750,837.73</u>
<b><u>Deductions</u></b>	
Administrative Fees	75,629.12
Intergovernmental	152,137.14
Public Safety	439,920.65
Miscellaneous	1,257.28
Total Deductions	<u>668,944.19</u>
Changes in Net Position	81,893.54
Net Position - Beginning of Year	<u>336,549.72</u>
Net Position - End of Year	<u><u>\$ 418,443.26</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2019***

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#### **Note 1 – Summary of Significant Accounting Policies**

The financial statements of the Franklin County Commission (the “Commission”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

#### **A. Reporting Entity**

The Commission is a general purpose local government governed by separately elected commissioners. Generally accepted accounting principles (GAAP) require that the financial statements present the Commission (the primary government) and its component units. Component units are legally separate entities for which a primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Based on the application of the above criteria, there are no component units which should be included as part of the financial reporting entity of the Commission.

#### **B. Government-Wide and Fund Financial Statements**

##### **Government-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities display information about the Commission. These statements include the financial activities of the primary government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Commission. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Commission and for each function of the Commission’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Commission does not allocate indirect expenses to the various functions. Program revenues include (a) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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#### **Fund Financial Statements**

The fund financial statements provide information about the Commission's funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds in the Other Governmental Funds' column.

The Commission reports the following major governmental funds:

- ◆ **General Fund** – The General Fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily received revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission. Also, the fund is used to report the expenditure of special county property taxes for building and maintaining public buildings, roads and bridges, the expenditure of funds to maintain the Franklin County Archives, and the expenditures to maintain the GIS system throughout Franklin County.
- ◆ **Gasoline Tax Fund** – This fund is used to account for the expenditures of gasoline taxes for the activities of the public works/highway department as related to maintenance, development, and resurfacing of roads, bridges, and rights-of-way. Also, the fund is used to report expenditure of motor vehicle licenses and registration fees and drivers' license and permit fees to be used for the construction, improvement and maintenance of public highways or streets, including administrative costs.
- ◆ **RRR Gasoline Tax Fund** – This fund is used to account for the expenditures of gasoline taxes for the resurfacing, restoration and rehabilitation of the existing paved county roads and bridges and for bridge replacement.
- ◆ **Reappraisal Fund** – This fund is used to account for the expenditures of property taxes related to the county's reappraisal program.

The Commission reports the following major enterprise fund:

- ◆ **Solid Waste Fund** – This fund is used to account for the cost of providing solid waste service to county residents.

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2019***

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The Commission reports the following fund types in the Other Governmental Funds' column:

#### **Governmental Fund Types**

- ◆ **Special Revenue Funds** – These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.
- ◆ **Debt Service Funds** – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest and for the accumulation of resources for principal and interest payments maturing in future years.
- ◆ **Capital Projects Funds** – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets.

The Commission reports the following fiduciary fund types:

#### **Fiduciary Fund Types**

- ◆ **Private-Purpose Trust Funds** – These funds are used to report all trust agreements under which principal and income benefit individuals, private organizations, or other governments.
- ◆ **Agency Funds** – These funds are used to report assets held by the Commission in a purely custodial capacity. The Commission collects these assets and transfers them to the proper individual, private organizations, or other government.

#### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2019***

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As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are charges between the government's solid waste function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, and landfill closure and postclosure care costs, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Under the terms of grant agreements, the Commission funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Commission's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

#### **D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances**

##### **1. Deposits**

Cash includes cash on hand and demand deposits.

##### **2. Receivables**

All ad valorem tax receivables are shown net of an allowance for uncollectibles. The allowance for uncollectibles for ad valorem taxes is based on past collections.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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Millage rates for property taxes are levied by the Commission. Property is assessed for taxation as of October 1 of the preceding year based on the millage rates established by the County Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31. Amounts receivable, net of estimated refunds and estimated uncollectible amounts, are recorded for the property taxes levied in the current year. However, since the amounts are not available to fund current year operations, the revenue is deferred and recognized in the subsequent fiscal year when the taxes are both due and collectible and available to fund operations. Property tax revenue deferred is reported as deferred inflow of resources.

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and capital projects, reimbursements from other agencies and taxes and fees from the State of Alabama.

Accounts receivable from customers are reflected in the Enterprise Fund along with an allowance for doubtful accounts that was calculated based upon past experience with collections.

Receivables from external parties are amounts that are being held in a trustee or agency capacity by the fiduciary funds.

### **3. Inventories**

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

### **4. Restricted Assets**

Certain general obligation warrants, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The debt service funds are used to segregate resources accumulated for debt service payments.

### **5. Capital Assets**

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, water and sewer systems, and similar items), are reported in the applicable governmental and business-type activities columns in the government-wide financial statements. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2019***

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Depreciation on all assets is provided on the straight-line basis over the assets estimated useful life. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Estimated Useful Life
Buildings and Building Improvements	\$ 50,000	20 – 40 years
Equipment, Vehicles and Furniture	\$ 5,000	5 – 20 years
Roads	\$250,000	20 – 50 years
Bridges	\$ 50,000	40 – 50 years

The majority of governmental activities infrastructure assets are roads and bridges. The Association of County Engineers has determined that due to the climate and materials used in road construction, the base of the roads in the county will not deteriorate and therefore should not be depreciated. The remaining part of the roads, the surface, will deteriorate and will be depreciated. The entire costs of bridges in the county will be depreciated.

#### **6. Deferred Outflows of Resources**

Deferred outflows of resources are reported in the government-wide and proprietary funds Statements of Net Position. Deferred outflows of resources are defined as a consumption of net position by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

#### **7. Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

In the fund financial statements, governmental fund types report the face amount of the debt issued as other financing sources.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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#### **8. Compensated Absences**

The Commission has a standard leave policy for its full-time employees as to sick and annual leave.

#### **Annual Leave**

A maximum of 240 hours can be carried forward for annual leave at December 31. Upon separation from county service, the employee may be paid for all unused annual leave. Commission employees earn annual leave according to the number of years they have worked for the Commission.

0-1 Years	4 hours earned per month
1-2 Years	6 hours earned per month
3-5 Years	8 hours earned per month
6-10 Years	10 hours earned per month
More than 10 Years	12 hours earned per month

#### **Sick Leave**

Sick leave accrues to regular, full-time employees at the rate of one day per calendar month. Upon retirement an employee shall be paid one-half of their accumulated sick leave not to exceed 240 hours.

The Commission uses the termination method to accrue its sick leave liability.

#### **Termination Payment Method**

Under this method an accrual for sick leave is made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.

#### **9. Deferred Inflows of Resources**

Deferred inflows of resources are reported in the government-wide and fund financial statements. Deferred inflows of resources are defined as an acquisition of net position/fund balances by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position/fund balances, similar to liabilities.



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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#### **10. Net Position/Fund Balances**

Net position is reported on the government-wide and proprietary fund financial statements and is required to be classified for accounting and reporting purposes into the following net position categories:

- ◆ **Net Investment in Capital Assets** – Capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to acquisition, construction and improvement of those assets should also be included in this component. Any significant unspent related debt proceeds, or deferred inflows of resources attributable to the unspent amount at year-end related to capital assets are not included in this calculation. Debt proceeds or deferred inflows of resources at the end of the reporting period should be included in the same net position amount (restricted, unrestricted) as the unspent amount.
- ◆ **Restricted** – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.
- ◆ **Unrestricted** – The net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position. Unrestricted net position is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Commission.

Fund balance is reported in governmental funds in the fund financial statements under the following five categories:

- ◆ **Nonspendable** – Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include: inventories, prepaid items, and long-term receivables.
- ◆ **Restricted** – Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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- ◆ **Committed** – Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action or resolution of the Commission, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.
- ◆ **Assigned** – Assigned fund balances consist of amounts that are intended to be used by the Commission for specific purposes. The Chairman of the Commission or the County Administrator is authorized by the Commission to make the determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- ◆ **Unassigned** – Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

#### **E. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the Employees' Retirement System of Alabama (the "Plan") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the Plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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#### **Note 2 – Stewardship, Compliance, and Accountability**

##### **Budgets**

Annual budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for all governmental funds except capital project funds, which adopt project-length budgets. All appropriations lapse at fiscal year-end.

The present statutory basis for county budgeting operations is the County Financial Control Act of 1935, as amended by Act Number 2007-488, Acts of Alabama. According to the terms of the law, at some meeting in September of each year, but in any event not later than October 1, the Commission must estimate the anticipated revenues, estimated expenditures and appropriations for the respective amounts that are to be used for each of such purposes. The appropriations must not exceed the total revenues available for appropriation plus any balances on hand. Expenditures may not legally exceed appropriations.

Budgets may be adjusted during the fiscal year when approved by the County Commission. Any changes must be within the revenues and reserves estimated to be available.

#### **Note 3 – Deposits**

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Commission will not be able to cover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Commission's deposits at year-end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement Program (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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#### **Note 4 – Receivables**

On September 30, 2019, receivables for the Commission's individual major funds, and other governmental funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General Fund	Gasoline Tax Fund	RRR Gasoline Tax Fund	Other Governmental Funds	Total Governmental Funds
<u>Governmental Funds:</u>					
<u>Receivables:</u>					
Due From Other Governments	\$205,767.16	\$101,457.77	\$92,426.67	\$125,469.55	\$525,121.15
Total Receivables	<u>\$205,767.16</u>	<u>\$101,457.77</u>	<u>\$92,426.67</u>	<u>\$125,469.55</u>	<u>\$525,121.15</u>

	Solid Waste Fund	Total Enterprise Fund
<u>Proprietary Funds:</u>		
<u>Receivables:</u>		
Accounts Receivable	\$354,508.93	\$354,508.93
Gross Receivables	354,508.93	354,508.93
Less: Allowance for Doubtful Accounts	(68,864.61)	(68,864.61)
Net Receivables	<u>\$285,644.32</u>	<u>\$285,644.32</u>

The Reappraisal Fund, a governmental fund, deferred revenue recognition for unexpended reappraisal maintenance funds in the amount of \$127,517.74 which were received but not yet earned.

# Notes to the Financial Statements

## For the Year Ended September 30, 2019

### Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2019, was as follows:

	Balance 10/01/2018	Additions	Deletions	Balance 09/30/2019
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land Under Capital Lease	\$ 205,622.50	\$	\$	\$ 205,622.50
Land	125,131.75	500.00		125,631.75
Total Capital Assets, Not Being Depreciated	330,754.25	500.00		331,254.25
Capital Assets Being Depreciated:				
Land Improvements- Exhaustible	\$369,835.00			369,835.00
Infrastructure	6,114,982.61			6,114,982.61
Buildings and Building Improvements	4,008,287.68			4,008,287.68
Buildings Under Lease	10,020,486.66			10,020,486.66
Equipment and Furniture	5,712,926.32	1,015,804.35	(835,698.50)	5,893,032.17
Total Capital Assets Being Depreciated	26,226,518.27	1,015,804.35	(835,698.50)	26,406,624.12
Less Accumulated Depreciation for:				
Land Improvements- Exhaustible	(189,540.44)	(18,491.75)		(208,032.19)
Infrastructure	(1,267,353.62)	(152,874.57)		(1,420,228.19)
Buildings and Building Improvements	(2,218,767.04)	(82,693.47)		(2,301,460.51)
Buildings Under Lease	(2,609,501.44)	(250,512.17)		(2,860,013.61)
Equipment and Furniture	(4,366,685.74)	(346,178.86)	329,498.06	(4,383,366.54)
Total Accumulated Depreciation	(10,651,848.28)	(850,750.82)	329,498.06	(11,173,101.04)
Total Capital Assets Being Depreciated, Net	15,574,669.99	165,053.53	(506,200.44)	15,233,523.08
Total Governmental Activities Capital Assets, Net	\$ 15,905,424.24	\$ 165,553.53	\$(506,200.44)	\$ 15,564,777.33

	Balance 10/01/2018	Additions	Deletions	Balance 09/30/2019
<u>Business-Type Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 63,157.41	\$	\$	\$ 63,157.41
Total Capital Assets, Not Being Depreciated	63,157.41			63,157.41
Capital Assets Being Depreciated:				
Buildings and Building Improvements	234,135.00			234,135.00
Equipment and Furniture	2,601,433.62	599,387.22	(528,673.50)	2,672,147.34
Total Capital Assets Being Depreciated	2,835,568.62	599,387.22	(528,673.50)	2,906,282.34
Less Accumulated Depreciation for:				
Building and Building Improvements	(99,960.39)	(5,853.38)		(105,813.77)
Equipment and Furniture	(2,151,477.29)	(157,804.90)	308,947.25	(2,000,334.94)
Total Accumulated Depreciation	(2,251,437.68)	(163,658.28)	308,947.25	(2,106,148.71)
Total Capital Assets Being Depreciated, Net	584,130.94	435,728.94	(219,726.25)	800,133.63
Total Business-Type Activities Capital Assets, Net	\$ 647,288.35	\$ 435,728.94	\$(219,726.25)	\$ 863,291.04

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2019***

	Balance 10/01/2018	Additions	Deletions	Balance 09/30/2019
<b>Fiduciary Funds:</b>				
Capital Assets Being Depreciated:				
Equipment and Furniture	\$ 93,133.91	\$	\$	\$ 93,133.91
Total Capital Assets Being Depreciated	93,133.91			93,133.91
Less Accumulated Depreciation for:				
Equipment and Furniture	(77,234.94)	(5,611.40)		(82,846.34)
Total Accumulated Depreciation	(77,234.94)	(5,611.40)		(82,846.34)
Total Capital Assets Being Depreciated, Net	15,898.97	(5,611.40)		10,287.57
Total Fiduciary Fund Capital Assets, Net	\$ 15,898.97	\$ (5,611.40)	\$	\$ 10,287.57

Depreciation expense was charged to functions/programs of the primary government as follows:

	Current Year Depreciation Expense
<b>Governmental Activities:</b>	
General Government	\$ 44,384.36
Public Safety	390,775.82
Highways and Roads	362,573.24
Health	30,087.20
Welfare	22,930.20
Total Depreciation Expense – Governmental Activities	<u>\$850,750.82</u>

	Current Year Depreciation Expense
<b>Business-Type Activities:</b>	
Sanitation	\$163,658.28
Total Depreciation Expense – Business-Type Activities	<u>\$163,658.28</u>

	Current Year Depreciation Expense
<b>Fiduciary Funds:</b>	
Administrative Expenses	\$5,611.40
Total Depreciation Expense – Fiduciary Funds	<u>\$5,611.40</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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#### **Note 6 – Defined Benefit Pension Plan**

##### **A. General Information about the Pension Plan**

###### **Plan Description**

The Employees' Retirement System of Alabama (ERS), an agent multiple-employer plan (the "Plan"), was established October 1, 1945, under the provisions of Act Number 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975*, Section 36-27-2, grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at [www.rsa-al.gov](http://www.rsa-al.gov).

The ERS Board of Control consists of 13 trustees as follows:

- 1) The Governor, ex-officio.
- 2) The State Treasurer, ex-officio.
- 3) The State Personnel Director, ex-officio.
- 4) The State Director of Finance, ex-officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex-officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
  - a) Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
  - b) Two vested active state employees.
  - c) Two vested active employees of an employer participating in ERS pursuant to the *Code of Alabama 1975*, Section 36-27-6.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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#### **Benefits Provided**

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

Act Number 2012-377, Acts of Alabama, established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary on the member's age, service credit, employment status and eligibility for retirement.

The ERS serves approximately 909 local participating employers. The ERS membership includes approximately 90,999 participants. As of September 30, 2018, membership consisted of:

Retirees and beneficiaries currently receiving benefits	24,818
Terminated employees entitled to but not yet receiving benefits	1,426
Terminated employees not entitled to a benefit	7,854
Active Members	56,760
Post-DROP participants who are still in active service	141
Total	<u>90,999</u>



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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#### Contributions

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2019, the Commission's active employee contribution rate was 5.42 percent of covered employee payroll, and the Commission's average contribution rate to fund the normal and accrued liability costs was 7.07 percent of covered employee payroll.

The Commission's contractually required contribution rate for the year ended September 30, 2019, was 7.63% of pensionable pay for Tier 1 employees, and 5.24% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2016, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Commission were \$354,687.43 for the year ended September 30, 2019.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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#### **B. Net Pension Liability**

The Commission's net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017, rolled forward to September 30, 2018, using standard roll-forward techniques as shown in the following table:

	Total Pension Liability Roll-Forward		
	Expected	Actual	Actual
(a) Total Pension Liability as of September 30, 2017	\$15,351,425	\$15,368,970	\$15,548,799
(b) Discount Rate	7.75%	7.75%	7.70%
(c) Entry Age Normal Cost for October 1, 2017 - September 30, 2018	387,685	387,685	391,197
(d) Transfers Among Employers		(403,249)	(403,249)
(e) Actual Benefit Payments and Refunds for October 1, 2017 - September 30, 2018	(823,313)	(823,313)	(823,313)
(f) Total Pension Liability as of September 30, 2018 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5*(b))]	\$16,073,629	\$15,689,285	\$15,782,063
(g) Difference Between Expected and Actual		\$ (384,344)	
(h) Less Liability Transferred for Immediate Recognition		(403,249)	
(i) Experience (Gain)/Loss = (g) - (h)		<u>\$ 18,905</u>	
(j) Difference between Actual at 7.70% and Actual at 7.75% [Assumption Change (Gain)/Loss]=			<u>\$ 92,778</u>

#### **Actuarial Assumptions**

The total pension liability in the September 30, 2018, was determined on the based on the annual actuarial funding valuation report prepared as of September 30, 2017. The key actuarial assumptions are summarized below:

Inflation	2.75%
Salary Increases	3.25%-5.00%
Investment Rate of Return (*)	7.70%
(*) Net of pension plan investment expense	

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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Mortality rates for ERS were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with and adjustment of 125% at all ages for males and 120% for females at ages on and after age 78. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the September 30, 2017, valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	17.00%	4.40%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stocks	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash	3.00%	1.50%
Total	<u>100.00%</u>	

(\*) Includes assumed rate of inflation of 2.50%.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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#### **Discount Rate**

The discount rate used to measure the total pension liability was the long-term rate of return, 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### **C. Changes in Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2017	\$15,351,425	\$ 12,892,064	\$ 2,459,361
Changes for the Year:			
Service Cost	387,685		387,685
Interest	1,157,832		1,157,832
Changes of Assumptions	92,778		92,778
Differences Between Expected and Actual Experience	18,905		18,905
Contributions – Employer		319,937	(319,937)
Contributions – Employee		257,650	(257,650)
Net Investment Income		1,163,094	(1,163,094)
Benefit Payments, including Refunds of Employee Contributions	(823,313)	(823,313)	
Transfers among Employers	(403,249)	(403,249)	
Net Changes	430,638	514,119	(83,481)
Balances at September 30, 2018	\$15,782,063	\$13,406,183	\$ 2,375,880

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2019***

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#### **Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the Commission's net pension liability calculated using the discount rate of 7.70%, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
Commission's Net Pension Liability	\$4,437,144	\$2,375,880	\$653,432

#### **Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2018. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2018. The auditor's report dated September 17, 2019, on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

The ERS financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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#### **D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2019, the Commission recognized pension expense of \$291,821.00. At September 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$165,226.00	\$
Changes of Assumptions	281,044.00	
Net difference between projected and actual earnings on pension plan investments		456,773.00
Employer contributions subsequent to the measurement date	354,687.43	
Total	<u>\$800,957.43</u>	<u>\$456,773.00</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year Ending:	
September 30, 2020	\$ 52,895
2021	\$(90,750)
2022	\$(49,850)
2023	\$ 42,525
2024	\$ 7,700
Thereafter	\$ 6,977

#### **Note 7 – Payables**

On September 30, 2019, payables for the Commission's fiduciary funds in the aggregate are as follows:

	Due To Other Governments	Due To External Parties	Total Payables
<b><u>Fiduciary Funds:</u></b>			
Private-Purpose Trust Funds	\$	\$159,270.33	\$159,270.33
Agency Funds	482.91		482.91
Total Fiduciary Funds	<u>\$482.91</u>	<u>\$159,270.33</u>	<u>\$159,753.24</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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#### Note 8 – Lease Obligations

##### Capital Leases

On October 22, 2003, the Franklin County Commission executed a lease agreement, dated October 1, 2003, with the Franklin County Public Building Authority to lease a jail facility to be financed by the Public Building Authority with proceeds from the issuance of \$1,745,000 in revenue warrants. On June 27, 2005, the Franklin County Commission executed a first supplemental lease agreement, dated June 1, 2005, with the Franklin County Public Building Authority with proceeds from the issuance of \$3,000,000 in revenue warrants. The first supplemental lease was executed because the initial principal amount was insufficient to pay the entire costs of acquiring, constructing, and installing the jail facility. On April 1, 2015, a second supplemental lease with proceeds in the amount of \$3,650,000.00 was executed to currently refund the Series 2003 and Series 2005 Warrants. This lease agreement provided that the Commission will pay principal and interest payments under the leases equivalent to the principal and interest payments due on the revenue warrants. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of September 30, 2019.

Fiscal Year Ending	Governmental Activities
September 30, 2020	\$ 286,401.26
2021	287,151.26
2022	287,801.26
2023	288,210.63
2024	283,288.75
2025-2029	676,543.75
2030-2034	898,305.00
2035	615,587.50
Total Minimum Lease Payments	3,623,289.41
Less: Amount Representing Interest	(768,289.41)
Present Value of Net Minimum Lease Payments	<u>\$2,855,000.00</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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#### **Note 9 – Long-Term Debt**

The Commission issues general obligation warrants to provide funds for the acquisition and construction of major capital facilities.

On January 1, 2003, the County issued general obligation warrants to construct a health department building. These warrants were in the amount of \$1,125,000.00 with interest rates ranging from 2.5 percent to 4.9 percent.

The Commission entered into a note payable on April 22, 2013, in the amount of \$609,846.08. This note was a consolidation and refinancing of two existing notes payable that were for the purchase of construction equipment. Debt payments are to be paid by the Gasoline Tax Fund.

The Commission entered into a general obligation warrant on October 21, 2013, in the amount of \$7,679,000.00 to refund the General Obligation Warrants, Series 2003-B, to secure matching funds for various ATRIP projects, and purchase an office building for the Revenue Commissioner's office in Red Bay. Debt payments are to be paid from the General Fund.

On April 1, 2015, the Commission entered into a capital lease with the County Public Building Authority in the amount of \$3,650,000.00, with interest rates ranging from 2.00 to 3.50 percent for the purpose of currently refunding the Public Building Authority Capital Leases dated October 1, 2003, and June 1, 2005. Payments are to be made from the special county ad valorem tax.

The Commission entered into a note payable on April 6, 2018, in the amount of \$299,626.70 to purchase two (2) 2018 Kenworth garbage trucks for the Solid Waste Department. Debt payments are to be paid by the Solid Waste Fund.

The Commission entered into a note payable on April 6, 2018, in the amount of \$569,940.00 to purchase four (4) 2019 Kenworth T800 Dump Trucks for the Highway Department. Debt payments are to be paid by the Gasoline Tax Fund.

The Commission entered into a note payable on July 2, 2019, in the amount of \$302,563.08 to purchase a Roscoe Pothole Patcher for the Highway Department. Debt payments are to be paid by the Gasoline Tax Fund.

The Commission entered into a note payable on November 6, 2018, in the amount of \$80,227.17 to purchase a backhoe for the Solid Waste Department. Debt payments are to be paid by the Solid Waste Fund.

The Commission entered into a note payable on June 4, 2019, in the amount of \$438,620.85 to purchase garbage trucks for the Solid Waste Department. Debt payments are to be paid by the Solid Waste Fund.



## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

The following is a summary of long-term debt obligations for the Commission for the year ended September 30, 2019:

	Debt Outstanding 10/01/2018	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2019	Amounts Due within One Year
<u>Governmental Activities:</u>					
Warrants Payable:					
General Obligation Warrants, 2003	\$ 380,000.00	\$	\$ (70,000.00)	\$ 310,000.00	\$ 70,000.00
General Obligation Warrants, 2013	6,395,129.62		(304,403.74)	6,090,725.88	317,215.50
Total Warrants Payable	6,775,129.62		(374,403.74)	6,400,725.88	387,215.50
Other Liabilities					
Capital Leases	3,065,000.00		(210,000.00)	2,855,000.00	210,000.00
Notes Payable	569,940.00	302,563.08	(4,210.82)	868,292.26	595,711.67
Net Pension Liability	2,038,493.41		(69,990.47)	1,968,502.94	
Estimated Liability for Compensated Absences	584,592.14	12,762.26		597,354.40	59,735.44
Total Other Liabilities:	6,258,025.55	315,325.34	(284,201.29)	6,289,149.60	865,447.11
Total Governmental Activities Long-Term Liabilities	\$13,033,155.17	\$315,325.34	\$(658,605.03)	\$12,689,875.48	\$1,252,662.61

	Debt Outstanding 10/01/2018	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2019	Amounts Due within One Year
<u>Business-Type Activities:</u>					
Notes Payable	\$280,089.04	\$518,848.01	\$(148,318.30)	\$ 650,618.75	\$132,041.76
Pension Liability	420,867.59		(13,490.53)	407,377.06	
Estimated Liability for Compensated Absences	125,384.79	10,809.25		136,194.04	13,619.40
Estimated Liability for Landfill Postclosure Costs	34,003.21		(1,700.00)	32,303.21	1,700.00
Total Business-Type Activities Long-Term Liabilities	\$860,344.63	\$529,657.26	\$(163,508.83)	\$1,226,493.06	\$147,361.16

Payments on the warrants payable that pertain to the Commission's governmental activities are made by the General Fund and Debt Service Funds. The long-term notes payable are paid by the General Fund, Gasoline Tax Fund and the Solid Waste Fund. The capital lease liability for the governmental activities will be liquidated by the General Fund and Debt Service Fund.

The compensated absences liability attributable to the governmental activities will be liquidated by several of the Commission's governmental funds. In the past, approximately 60% has been paid by the General Fund and 40% by the Gasoline Tax Fund.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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The following is a schedule of debt service requirements to maturity:

Fiscal Year Ending	Governmental Activities					
	General Obligation Warrants, 01/01/2003		General Obligation Warrants, 10/01/2013		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
September 30, 2020	\$ 70,000.00	\$13,405.00	\$ 317,215.50	\$ 259,930.62	\$ 210,000.00	\$ 76,401.26
2021	75,000.00	9,922.50	332,052.61	245,093.51	215,000.00	72,151.26
2022	80,000.00	6,125.00	346,821.91	230,324.21	220,000.00	67,801.26
2023	85,000.00	2,082.50	362,248.13	214,897.99	225,000.00	63,210.63
2024			377,801.63	199,344.49	225,000.00	58,288.75
2025-2029			2,159,207.10	726,523.50	425,000.00	251,543.75
2030-2034			2,195,379.00	209,395.14	730,000.00	168,305.00
2035-2039					605,000.00	10,587.50
Totals	<u>\$310,000.00</u>	<u>\$31,535.00</u>	<u>\$6,090,725.88</u>	<u>\$2,085,509.46</u>	<u>\$2,855,000.00</u>	<u>\$768,289.41</u>

### **Pledged Revenues**

The Commission issued Series 2003 General Obligation Warrants for the purpose of constructing a health department building. The Commission pledged to repay the warrants from the proceeds for the revenues received for leasing the building. Future revenues of \$341,535.00 are pledged to repay the principal and interest on the warrants as of September 30, 2019. Proceeds of the lease revenue in the amount of \$87,605.28 were received by the Commission during the fiscal year ended September 30, 2019, of which \$86,695.00 was used to pay principal and interest on the warrants. The 2003 General Obligation Warrants will mature in fiscal year 2023.

The Commission issued Series 2013 General Obligation Warrants for the purpose of refunding the General Obligation Warrant 2003-B to secure matching funds for various ATRIP projects, and to purchase an office building for the Red Bay Revenue Commissioner's office. The Commission pledged to repay the warrants from the County's portion of the proceeds of the special county ad valorem tax levied on all taxable property in the county at the rate of 4.8 mills pursuant to Section 215 of the *Constitution of Alabama of 1901*, as amended. Future revenues of \$8,176,235.34 are pledged to repay the principal and interest on the warrants as of September 30, 2019. Proceeds of the special county ad valorem tax in the amount of \$1,265,916.47 were received by the Commission during the fiscal year ended September 30, 2018, of which \$577,146.12 was used to pay principal and interest. The 2013 General Obligation Warrants will mature in fiscal year 2034.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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Governmental Activities		Business-Type Activities		Total Principal and Interest Requirements
Notes Payable		Notes Payable		
Principal	Interest	Principal	Interest	
\$595,711.67	\$20,692.30	\$132,041.76	\$16,162.84	\$ 1,711,560.95
26,889.75	17,698.27	135,686.54	12,518.06	1,142,012.50
27,818.66	14,625.42	139,433.64	8,770.96	1,141,721.06
28,779.66	11,471.61	143,285.95	4,918.65	1,140,895.12
29,773.86	8,234.60	100,170.86	1,105.98	999,720.17
159,318.66	13,656.28			3,735,249.29
				3,303,079.14
				615,587.50
\$868,292.26	\$86,378.48	\$650,618.75	\$43,476.49	\$13,789,825.73

The Commission entered into a capital lease with the Franklin County Public Building Authority on April 1, 2015, for the purpose of currently refunding the October 1, 2003, Public Building Authority capital lease and the June 1, 2005, capital lease which were for the acquisition, construction and equipment of the new jail. The Commission pledged to repay the capital lease from the County's portion of the proceeds of the special county ad valorem tax levied on all taxable property in the county at the rate of 4.8 mills pursuant to Section 215 of the ***Constitution of Alabama of 1901***, as amended. Future revenues of \$3,623,289.41 are pledged to repay the principal and interest on the warrants as of September 30, 2019. Proceeds of the special county ad valorem tax in the amount of \$1,265,916.47 were received by the Commission during the fiscal year ended September 30, 2019, of which \$290,601.26 was used to pay principal and interest. The 2015 Public Building Authority will mature in fiscal year 2035.

#### **Note 10 – Landfill Closure and Postclosure Care Costs**

The Alabama Department of Environmental Management required the Franklin County Commission to close the sanitary landfill to municipal solid waste during fiscal year 1994. State and federal laws and regulations require that the Commission place a final cover on its landfill and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The estimated landfill postclosure care costs in the amount of \$32,303.21 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were incurred as of September 30, 2019. However, the actual cost of closure and postclosure care might be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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#### **Note 11 – Risk Management**

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has general liability insurance through the Association of County Commissions of Alabama (ACCA) Liability Self Insurance Fund, a public entity risk pool. The Fund is self-sustaining through member contributions. The Commission pays an annual premium based on the Commission's individual claims experience and the experience of the Fund as a whole. Coverage is provided up to \$1,000,000 per claim for a maximum total coverage of \$3,000,000 and unlimited defense costs. Employment-related practices damage protection is limited to \$1,000,000 per incident with a \$5,000 deductible and unlimited defense costs. County specific coverages and limits can be added by endorsement.

The Commission has workers' compensation insurance through the Association of County Commissions of Alabama (ACCA) Workers' Compensation Self Insurance Fund, a public entity risk pool. The premium level for the fund is calculated to adequately cover the anticipated losses and expenses of the Fund. Fund rates are calculated for each job class based on the current NCCI Alabama loss costs and a loss cost modifier to meet the required premiums of the Fund. Member premiums are then calculated on a rate per \$100 of estimated remuneration for each job class, which is adjusted by an experience modifier for the individual county. The Commission may qualify for additional discounts based on losses and premium size. Pool participants are eligible to receive refunds of unused premiums and the related investment earnings.

The Commission purchases commercial insurance for its other risks of loss, including property and casualty insurance and employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Commission has employee health insurance coverage through the Local Government Health Insurance Program, administered by the State Employee's Health Insurance Board (SEHIB). They may choose to participate in a plan administered by Blue Cross/Blue Shield which functions as a public entity risk pool. This plan is self-sustaining through member premiums. Monthly premiums are determined annually by the plan's actuary and are based on the pool's claims experience, considering any remaining fund balance on hand available for claims.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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#### **Note 12 – Interfund Transactions**

##### **Due To/From Other Funds**

The amounts due to/from other funds at September 30, 2019, were as follows:

	Due From Other Funds			Totals
	General Fund	RRR Gasoline Tax Fund	Other Governmental Funds	
<u>Due To Other Funds:</u>				
General Fund	\$	\$	\$50,000.00	\$ 50,000.00
Other Governmental Funds	17,080.59	87,439.76		104,520.35
Total	<u>\$17,080.59</u>	<u>\$87,439.76</u>	<u>\$50,000.00</u>	<u>\$154,520.35</u>

##### **Interfund Transfers**

The amounts of interfund transfers during the fiscal year ended September 30, 2019, were as follows:

	Transfers In			Totals
	General Fund	Gasoline Tax Fund	Other Governmental Funds	
<u>Transfers Out:</u>				
General Fund	\$	\$100,000.00	\$291,916.27	\$391,916.27
Gasoline Tax Fund	40,000.00			40,000.00
Other Governmental Funds	302,001.14	100,000.00	24,247.79	426,248.93
Totals	<u>\$342,001.14</u>	<u>\$200,000.00</u>	<u>\$316,164.06</u>	<u>\$858,165.20</u>

The Commission typically used transfers to fund ongoing operating subsidies and to transfer the portion from the General Fund to the Debt Service Funds to service current-year debt requirements.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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#### **Note 13 – Related Organizations**

A majority of the members of the Board of the Franklin County E-911, the Industrial Development Authority, and the Rockwood Water authority is appointed by the Franklin County Commission. The Commission, however, is not financially accountable, because it does not impose its will and have a financial benefit or burden relationship, for these organizations and these organizations are not considered part of the Commission's financial reporting entity. These organizations are considered to be related organizations of the Franklin County Commission.

#### **Note 14 – Subsequent Events**

The Commission entered into a note payable on December 31, 2019, in the amount of \$218,192.50 to purchase equipment for the Highway Department. Debt payments are to be paid by the Gasoline Tax Fund.

The Commission entered into a note payable on January 15, 2020, in the amount of \$351,908.68 to purchase residential garbage cans for the Solid Waste Department. Debt payments are to be paid by the Solid Waste Fund.

The Commission entered into a note payable on May 14, 2020, in the amount of \$362,889.12 to purchase garbage trucks for the Solid Waste Department. Debt payments are to be paid by the Solid Waste Fund.

The Commission entered into a note payable on May 29, 2020, in the amount of \$590,296.00 to purchase a dump truck for the Highway Department. Debt payments are to be paid by the Gasoline Tax Fund.

The Commission entered into a note payable on September 9, 2020, in the amount of \$162,431.52 to purchase a ditcher for the Highway Department. Debt payments are to be paid by the Gasoline Tax Fund.

The Commission issued \$7,435,000.00 in General Obligation Warrants on July 27, 2021. The Warrants were issued with an interest rate of 1.99%. The purpose of the Warrants was to refund the Series 2013 Warrants and the Public Building Authority Capital Lease.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2019*

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The United States encountered a COVID-19 pandemic which adversely affected the nation. On March 13, 2020, the President of the United States declared a state of emergency in response to the COVID-19 pandemic. Subsequently, on the same day, the Governor of Alabama declared a state of emergency. As a result, the operations of federal, state, and local governments including educational institutions were modified to ensure the safety of citizenry as well as employees. As a result of the pandemic, there was an impact on the Franklin County Commission's revenues. Franklin County Commission gas tax revenues decreased by approximately \$100,000.00 in fiscal year 2020 as compared to the previous fiscal year. As expected, the Franklin County Commission incurred a significant increase in costs associated with the aftermath of COVID-19. These costs, in the amount of \$3,420,988.02 were reimbursed through the Coronavirus Relief Funds of the federal government during fiscal years 2020 and 2021. The Franklin County Commission's fiscal year 2021 budget, as approved by the county commission, provided for several changes in anticipated revenues and estimated expenditures for many of the funds of the Commission as compared to the previous fiscal year. Due to the impact and severity of the COVID-19 pandemic, the Franklin County Commission anticipates that its financial operations will require assistance from further programs of the federal government.

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## *Required Supplementary Information*

***Schedule of Changes in the Employer's Net Pension Liability***  
***For the Year Ended September 30, 2019***

	2018	2017	2016	2015	2014
<b><u>Total pension liability</u></b>					
Service cost	\$ 387,685	\$ 399,826	\$ 397,979	\$ 388,995	\$ 382,175
Interest	1,157,832	1,125,556	1,045,070	979,980	929,015
Changes in assumptions	92,778		367,166		
Difference between expected and actual experience	18,905	112,747	71,360	81,351	
Benefit payments, including refunds of employee contributions	(823,313)	(771,064)	(680,622)	(592,769)	(755,492)
Transfers among employers	(403,249)	(424,479)	304,199		
Net change in total pension liability	430,638	442,586	1,505,152	857,557	555,698
Total pension liability - beginning	15,351,425	14,908,839	13,403,687	12,546,130	11,990,432
Total pension liability - ending (a)	<u>\$ 15,782,063</u>	<u>\$ 15,351,425</u>	<u>\$ 14,908,839</u>	<u>\$ 13,403,687</u>	<u>\$ 12,546,130</u>
<b><u>Plan fiduciary net position</u></b>					
Contributions - employer	\$ 319,937	\$ 326,969	\$ 349,153	\$ 352,551	\$ 375,064
Contributions - employee	257,650	255,364	249,538	239,306	235,147
Net investment income	1,163,094	1,498,141	1,099,527	125,059	1,125,908
Benefit payments, including refunds of employee contributions	(823,313)	(771,064)	(680,622)	(592,769)	(755,492)
Transfers among employers	(403,249)	(424,479)	304,199	39,051	159,646
Net change in plan fiduciary net position	514,119	884,931	1,321,795	163,198	1,140,273
Plan fiduciary net position - beginning	12,892,064	12,007,133	10,685,338	10,522,140	9,381,867
Plan fiduciary net position - ending (b)	<u>\$ 13,406,183</u>	<u>\$ 12,892,064</u>	<u>\$ 12,007,133</u>	<u>\$ 10,685,338</u>	<u>\$ 10,522,140</u>
Commission's net pension liability - ending (a) - (b)	\$ 2,375,880	\$ 2,459,361	\$ 2,901,706	\$ 2,718,349	\$ 2,023,990
Plan fiduciary net position as a percentage of the total pension liability	84.95%	83.98%	80.54%	79.72%	83.87%
Covered payroll (*)	\$ 4,779,208	\$ 4,748,752	\$ 4,742,411	\$ 4,573,836	\$ 4,530,919
Commission's net pension liability as a percentage of covered payroll	49.71%	51.79%	61.19%	59.43%	44.67%

(\*) Employer's covered payroll during the measurement period is the total covered payroll. For fiscal year 2019, the measurement period is October 1, 2017 through September 30, 2018. The GASB issued statements "Pension Issues" in March 2016 to redefine covered payroll for fiscal year 2017.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

***Schedule of the Employer's Contributions - Pension***  
***For the Year Ended September 30, 2019***

	2019	2018	2017	2016	2015	2014
Actuarially determined contribution (*)	\$ 354,687	\$ 319,937	\$ 326,969	\$ 349,153	\$ 352,551	\$ 375,064
Contributions in relation to the actuarially determined contribution (*)	\$ 354,687	\$ 319,937	\$ 326,969	\$ 349,153	\$ 352,551	\$ 375,064
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$
Covered payroll (**)	\$ 5,015,769	\$ 4,779,208	\$ 4,748,752	\$ 4,742,411	\$ 4,573,836	\$ 4,530,919
Contributions as a percentage of covered payroll	7.07%	6.69%	6.89%	7.36%	7.71%	8.28%

(\*) The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of the Employer's Contributions is based on the 12 month period of the underlying financial statement.

(\*\*) Employer's covered payroll for fiscal year 2019 is the total covered payroll for the 12 month period of the underlying financial statement.

**Notes to Schedule**

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2019 were based on the September 30, 2016 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2018 through September 30, 2019:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	20.0 years
Asset valuation method	Five year smoothed market
Inflation	2.875%
Salary increases	3.375 - 5.125%, including inflation
Investment rate of return	7.875%, net of pension plan investment expense, including inflation

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

***Schedule of Revenues, Expenditures and Changes in Fund Balances***  
***Budget and Actual - General Fund***  
***For the Year Ended September 30, 2019***

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>		<b>Budget to GAAP</b>	<b>Actual Amounts</b>
	<b>Original</b>	<b>Final</b>	<b>Budgetary Basis</b>		<b>Differences</b>	<b>GAAP Basis</b>
<b><u>Revenues</u></b>						
Taxes	\$ 3,286,411.00	\$ 3,254,328.00	\$ 3,566,777.87	(1)	\$ 1,265,916.47	\$ 4,832,694.34
Licenses and Permits	25,000.00	25,000.00	48,406.54			48,406.54
Intergovernmental	1,396,329.46	1,459,902.32	1,402,926.90	(1)	635,296.13	2,038,223.03
Charges for Services	690,750.00	690,750.00	780,841.56			780,841.56
Miscellaneous	47,250.00	92,198.64	174,932.75	(1)	40,406.97	215,339.72
Total Revenues	5,445,740.46	5,522,178.96	5,973,885.62		1,941,619.57	7,915,505.19
<b><u>Expenditures</u></b>						
Current:						
General Government	1,941,266.87	1,974,680.56	1,812,263.53	(2)	1,023,981.25	2,836,244.78
Public Safety	3,738,787.36	3,796,400.43	3,694,169.59			3,694,169.59
Health	138,534.92	130,034.92	121,431.65			121,431.65
Welfare	11,200.00	11,200.00	9,164.83			9,164.83
Culture and Recreation				(2)	8,402.27	8,402.27
Education	61,525.00	61,525.00	62,212.48			62,212.48
Intergovernmental	141,503.00	141,503.00	145,001.99			145,001.99
Capital Outlay	100,000.00	159,191.84	123,339.00			123,339.00
Debt Service:						
Principal Retirement	304,403.74	304,403.74	304,403.74			304,403.74
Interest and Fiscal Charges	272,742.38	272,742.38	272,742.38			272,742.38
Total Expenditures	6,709,963.27	6,851,681.87	6,544,729.19		1,032,383.52	7,577,112.71
Excess (Deficiency) of Revenues Over Expenditures	(1,264,222.81)	(1,329,502.91)	(570,843.57)		909,236.05	338,392.48
<b><u>Other Financing Sources (Uses)</u></b>						
Transfers In	1,222,001.14	1,347,001.14	342,001.14			342,001.14
Proceeds from the Sale of Capital Assets	1,000.00	8,000.00	24,240.00			24,240.00
Transfers Out	(290,601.26)	(290,601.26)	(291,916.27)	(3)	(100,000.00)	(391,916.27)
Total Other Financing Sources (Uses)	932,399.88	1,064,399.88	74,324.87		(100,000.00)	(25,675.13)
Net Change in Fund Balances	(331,822.93)	(265,103.03)	(496,518.70)		809,236.05	312,717.35
Fund Balances - Beginning of Year	750,000.00	750,000.00	1,094,437.57	(4)	359,995.13	1,454,432.70
Fund Balances - End of Year	\$ 418,177.07	\$ 484,896.97	\$ 597,918.87		\$ 1,169,231.18	\$ 1,767,150.05

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***Schedule of Revenues, Expenditures and Changes in Fund Balances***  
***Budget and Actual - General Fund***  
***For the Year Ended September 30, 2019***

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**Explanation of differences:**

Some amounts are combined with the General Fund for reporting purposes, but are budgeted separately.

(1) Revenues		
Public Buildings, Roads and Bridges Fund	\$ 1,869,504.15	
GIS Consortium Fund	65,454.67	
Industrial Development Fund	6.75	
Franklin County Archives Fund	<u>6,654.00</u>	
		\$ 1,941,619.57
(2) Expenditures		
Public Buildings, Roads and Bridges Fund	\$ (969,145.27)	
GIS Consortium Fund	(54,835.98)	
Franklin County Archives Fund	<u>(8,402.27)</u>	
		(1,032,383.52)
(3) Other Financing Sources /(Uses), Net		
Public Buildings, Roads and Bridges Fund	\$ <u>(100,000.00)</u>	<u>(100,000.00)</u>
Net Increase in Fund Balance - Budget to GAAP		<u>\$ 809,236.05</u>
(4) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.		

***Schedule of Revenues, Expenditures and Changes in Fund Balances***  
***Budget and Actual - Gasoline Tax Fund***  
***For the Year Ended September 30, 2019***

	Budgeted Amounts		Actual Amounts		Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis		Differences	GAAP Basis
<b><u>Revenues</u></b>						
Intergovernmental	\$ 1,037,610.24	\$ 1,077,449.51	\$ 1,095,444.72	(1)	\$ 242,946.43	\$ 1,338,391.15
Miscellaneous	291,000.00	393,656.59	531,318.10	(1)	315.43	531,633.53
Total Revenues	1,328,610.24	1,471,106.10	1,626,762.82		243,261.86	1,870,024.68
<b><u>Expenditures</u></b>						
Current:						
Highways and Roads	1,858,912.71	1,997,263.85	2,068,394.94	(2)	195,828.25	2,264,223.19
Capital Outlay	590,500.00	595,110.00	876,908.00			876,908.00
Debt Service:						
Principal Retirement			4,210.82			4,210.82
Interest and Fiscal Charges	500.00	500.00	15,302.80			15,302.80
Total Expenditures	2,449,912.71	2,592,873.85	2,964,816.56		195,828.25	3,160,644.81
Excess (Deficiency) of Revenues Over Expenditures	(1,121,302.47)	(1,121,767.75)	(1,338,053.74)		47,433.61	(1,290,620.13)
<b><u>Other Financing Sources (Uses)</u></b>						
Transfers In	200,000.00	200,000.00	200,000.00			200,000.00
Proceeds from Sale of Capital Assets	580,000.00	580,000.00	572,360.00			572,360.00
Long-Term Debt Issued			302,563.08			302,563.08
Transfers Out				(3)	(40,000.00)	(40,000.00)
Total Other Financing Sources (Uses)	780,000.00	780,000.00	1,074,923.08		(40,000.00)	1,034,923.08
Net Change in Fund Balances	(341,302.47)	(341,767.75)	(263,130.66)		7,433.61	(255,697.05)
Fund Balances - Beginning of Year	350,000.00	350,000.00	496,940.48	(4)	6,370.56	503,311.04
Fund Balances - End of Year	\$ 8,697.53	\$ 8,232.25	\$ 233,809.82		\$ 13,804.17	\$ 247,613.99

**Explanation of differences:**

Some amounts are combined with the Gasoline Tax Fund for reporting purposes, but are budgeted separately.

(1) Revenues	
Public Highway and Traffic Fund	\$ 243,261.86
(2) Expenditures	
Public Highway and Traffic Fund	(195,828.25)
(3) Other Financing Sources /(Uses), Net	
Public Highway and Traffic Fund	(40,000.00)
Net Increase in Fund Balance - Budget to GAAP	\$ 7,433.61
(4) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the cumulative effect of transactions such as those described above	

***Schedule of Revenues, Expenditures and Changes in Fund Balances***  
***Budget and Actual - Reappraisal Fund***  
***For the Year Ended September 30, 2019***

	Budgeted Amounts		Actual Amounts	Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis	Differences	GAAP Basis
<b><u>Revenues</u></b>					
Taxes	\$ 769,352.80	\$ 769,352.80	\$ 741,679.98	\$	\$ 741,679.98
Miscellaneous	1,500.00	1,500.00	2,263.66		2,263.66
Total Revenues	770,852.80	770,852.80	743,943.64		743,943.64
<b><u>Expenditures</u></b>					
Current:					
General Government	877,776.03	877,776.03	743,943.64		743,943.64
Total Expenditures	877,776.03	877,776.03	743,943.64		743,943.64
Excess (Deficiency) of Revenues Over Expenditures	(106,923.23)	(106,923.23)			
<b><u>Other Financing Sources (Uses)</u></b>					
Transfers In					
Proceeds from Sale of Capital Assets					
Transfers Out					
Total Other Financing Sources (Uses)					
Net Change in Fund Balances	(106,923.23)	(106,923.23)			
Fund Balances - Beginning of Year	107,060.39	107,060.39			
Fund Balances - End of Year	\$ 137.16	\$ 137.16	\$	\$	\$

***Schedule of Revenues, Expenditures and Changes in Fund Balances***  
***Budget and Actual - RRR Gasoline Tax Fund***  
***For the Year Ended September 30, 2019***

	Budgeted Amounts		Actual Amounts	Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis	Differences	GAAP Basis
<b><u>Revenues</u></b>					
Charges for Services	\$ 1,360,020.66	\$ 1,455,938.32	\$ 1,583,126.82	\$	\$ 1,583,126.82
Miscellaneous			1,038.27		1,038.27
Total Revenues	1,360,020.66	1,455,938.32	1,584,165.09		1,584,165.09
<b><u>Expenditures</u></b>					
Current:					
Highways and Roads	1,574,691.00	1,611,519.39	1,549,999.51		1,549,999.51
Total Expenditures	1,574,691.00	1,611,519.39	1,549,999.51		1,549,999.51
Excess (Deficiency) of Revenues Over Expenditures	(214,670.34)	(155,581.07)	34,165.58		34,165.58
<b><u>Other Financing Sources (Uses)</u></b>					
Transfers In					
Proceeds from Sale of Capital Assets					
Transfers Out					
Total Other Financing Sources (Uses)					
Net Change in Fund Balances	(214,670.34)	(155,581.07)	34,165.58		34,165.58
Fund Balances - Beginning of Year	228,569.99	228,569.99	228,569.99		228,569.99
Fund Balances - End of Year	\$ 13,899.65	\$ 72,988.92	\$ 262,735.57	\$	\$ 262,735.57



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## *Supplementary Information*

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2019***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Pass-Through to Subrecipient</b>	<b>Total Federal Expenditures</b>
<b><u>U. S. Department of Agriculture</u></b>				
<b><u>Passed Through Alabama Department of Finance</u></b>				
Schools and Roads - Grants to States	10.665	N/A	\$ 1,332.95	\$ 2,665.90
<b><u>U. S. Department of Interior</u></b>				
<b><u>Direct Program</u></b>				
Payments in Lieu of Taxes	15.226	N/A	N/A	2,200.00
<b><u>U. S. Department of Housing and Urban Development</u></b>				
<b><u>Passed Through Alabama Department of Economic and Community Affairs</u></b>				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	CY-CM-PF-16-012	N/A	284,201.60
<b><u>U. S. Department of Transportation</u></b>				
<b><u>Passed Through Alabama Department of Economic and Community Affairs</u></b>				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	19-SP-PT-003	210,000.00	210,000.00
State and Community Highway Safety	20.600	19-FP-PT-003	149,779.19	149,779.19
State and Community Highway Safety	20.600	19-FP-CP-003	N/A	150,863.22
Sub-Total State and Community Highway Safety			359,779.19	510,642.41
National Priority Safety Programs	20.616	19-ID-M5-003	146,999.99	146,999.99
National Priority Safety Programs	20.616	19-ID-M5-007	49,505.81	49,505.81
National Priority Safety Programs	20.616	19-OP-M1-003	45,633.53	45,633.53
Sub-Total National Priority Safety Programs			242,139.33	242,139.33
Total Highway Safety Cluster/U. S. Department of Transportation			601,918.52	752,781.74
<b><u>U. S. Department of Homeland Security</u></b>				
<b><u>Passed Through Alabama Emergency Management Agency</u></b>				
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4426-31-PA-AL	N/A	3,302.57
Hazard Mitigation Grant	97.039	HMGP 4251-58	N/A	13,050.00
Emergency Management Performance Grants	97.042	18EMF	N/A	5,540.70
Homeland Security Grant Program	97.067	N/A	19,212.84	19,212.84
Total U. S. Department of Homeland Security			19,212.84	41,106.11
<b><u>Appalachian Regional Commission</u></b>				
<b><u>Passed Through Alabama Department of Economic and Community Affairs</u></b>				
Appalachian Area Development	23.002	AL-18822-2017	N/A	200,000.00
Total Expenditures of Federal Awards			\$ 622,464.31	\$ 1,282,955.35

N/A = Not Available or Not Applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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***Notes to the Schedule of Expenditures  
of Federal Awards  
For the Year Ended September 30, 2019***

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**Note 1 – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the Franklin County Commission under programs of the federal government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Franklin County Commission, it is not intended to and does not present the financial position, changes in net position or cash flows of the Franklin County Commission.

**Note 2 – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance* wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Franklin County Commission has elected not to use the 10-percent de minimis indirect cost rate as allowed in the *Uniform Guidance*.

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## *Additional Information*

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***Commission Members and Administrative Personnel***  
***October 1, 2018 through September 30, 2019***

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<b>Commission Members</b>		<b>Term Expires</b>
Hon. Barry Moore	Ex-Officio Chairman	2025
Hon. Chris Wallace	Member	2020
Hon. David Hester	Member	2020
Hon. Rayburn Massey	Member	2020
Hon. Jason Miller	Member	2020
<b><u>Administrative Personnel</u></b>		
Leah Mansell	Administrator	Indefinite

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# ***Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards***

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## **Independent Auditor's Report**

Members of the Franklin County Commission and County Administrator  
Russellville, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Franklin County Commission, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Franklin County Commission's basic financial statements, and have issued our report thereon dated January 3, 2022.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Franklin County Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Franklin County Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Franklin County Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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# ***Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards***

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Franklin County Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rachel Laurie Riddle  
Chief Examiner  
Department of Examiners of Public Accounts

Montgomery, Alabama

January 3, 2022



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## ***Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance***

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### **Independent Auditor's Report**

Members of the Franklin County Commission and County Administrator  
Russellville, Alabama

### **Report on Compliance for Each Major Federal Program**

We have audited the Franklin County Commission's compliance with the types of compliance requirements described in the **OMB Compliance Supplement** that could have a direct and material effect on the Franklin County Commission's major federal program for the year ended September 30, 2019. The Franklin County Commission's major federal program is identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Franklin County Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U. S. **Code of Federal Regulations** Part 200, **Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards** (*Uniform Guidance*). Those standards and the *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Franklin County Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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## ***Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance***

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We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Franklin County Commission's compliance.

### **Opinion on the Major Federal Program**

In our opinion, the Franklin County Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2019.

### **Report on Internal Control Over Compliance**

Management of the Franklin County Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Franklin County Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Franklin County Commission's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

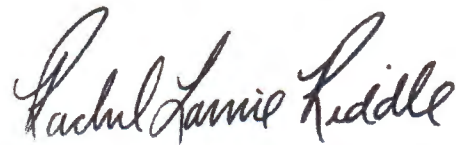
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***Report on Compliance for Each Major Federal Program  
and Report on Internal Control Over Compliance  
Required by the Uniform Guidance***

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Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing on internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.



Rachel Laurie Riddle  
Chief Examiner  
Department of Examiners of Public Accounts

Montgomery, Alabama

January 3, 2022

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## ***Schedule of Findings and Questioned Costs***

### ***For the Year Ended September 30, 2019***

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### **Section I – Summary of Examiner's Results**

#### **Financial Statements**

Type of report the auditor issued on whether the audited financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes      X   None reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes      X   No

#### **Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes      X   None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the *Uniform Guidance*?

\_\_\_\_\_ Yes      X   No

Identification of major federal programs:

<b>CFDA Numbers</b>	<b>Name of Federal Program or Cluster</b>
20.600 and 20.616	Highway Safety Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000.00

Auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes      X   No

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***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2019***

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**Section II – Financial Statement Findings (GAGAS)**

No matters were reportable.

**Section III – Federal Awards Findings and Questioned Costs**

No matters were reportable.